

# Second Open Letter to the People of West Virginia

When we put forth our first Open Letter we had no idea that such great numbers would accept our invitation to write and tell us what they thought about the oil and gas business. The ink was scarcely dry before hundreds of letters and postal cards commenced pouring in and they are still coming. To analyze and classify these letters so that this answer could be prepared with care, was a welcome task.

Above all else these letters proved that the people of West Virginia have in a high degree that American characteristic, a sturdy love of fair play, however willing they may be to argue a question.

About fifty per cent of those who wrote wanted to see the oil and gas companies keep on developing the resources of the state in a fair and just manner with no unfair discrimination or restriction or limitation by the state.

About thirty per cent disagreed with one or other of the points in the Open Letter, but were fair-minded enough to acknowledge the benefits that have accrued to the state from the production of oil and gas.

About fifteen per cent disagreed flatly with our views or said they lacked information, or declared they were not interested because they were outside the gas belt.

The remaining five per cent offered oil and gas territory, or supplies, asked for work, wanted to know what the Open Letter meant, had a complaint on their service, or asserted that gas rates are high enough or too high, without other comment. A scant half-score were abusive.

All communications were replied to except a few which were unsigned, or signatures blotted, or post-office address omitted, so that if you wrote and have not been answered, it must be for one of these reasons.

Many asked questions, the principal ones being the following, which we herewith answer.

## Answers to Principal Questions Asked in The Letters

**Q—You have shown us—the people of West Virginia—that hundreds of millions of dollars have been distributed among us by the oil and gas people in the quarter century past, for labor, royalties, rentals, timber, teaming, machinery, materials, boarding and various other items; that taxes paid by oil and gas interests now amount to enough to wipe off the Virginia debt in seven years; that great industrial development, new towns and cities and many other advantages which we have as a state have followed the discovery and production of oil and gas. Now give us the figures on the other side of the ledger:—WHAT HAVE YOU MADE OUT OF THE BUSINESS?**

A—Since the organization of our company, our stockholders have received a little less than 4½ per cent annual dividends or interest on the money which they have invested. This is less than the legal rate of interest and they could earn more if the money were invested in mortgages. They have none of their capital paid back and have no sinking fund out of which to pay it back. It is our intention, as soon as the revenues will justify it, to establish a sinking fund to reimburse our stockholders for the money advanced, which you will admit is no more than fair to them.

**Q—DOES THE GAS BUSINESS YIELD A MARGIN OF PROFIT LARGER THAN OTHER BUSINESSES HAVING THE SAME INVESTMENT AND RISKS?**

A—It does not. In fact it does not return as large profits as other businesses, where there are practically no large hazards or risks attached. No other business has the same amount of uncertainty as the gas business, with such comparatively small profit.

**Q—WHY DO YOU NEED TO RAISE THE RATES?**

A—Because the company is entitled to interest on the money invested, to get back the capital invested within a reasonable time, and to some compensation for taking the risk of the business. Any man or company going into any business that is not permanent, expects to earn enough to pay back his investment with interest on the same while invested and an amount in addition sufficient to pay for the chances of the business, otherwise he would lend his money on security or mortgage or buy Government or other bonds.

**Q—You give the total of oil and gas rentals, royalties, drilling cost, maintenance, etc., paid out in West Virginia from 1889 to 1912, inclusive, as \$209,750,309.00; WHAT WAS THE TOTAL VALUE OF THE OIL AND GAS PRODUCED IN THE SAME TERRITORY DURING THE SAME PERIOD, AND HOW MUCH REMAINS WITHIN THE STATE?**

A—The total value of oil and gas produced in West Virginia from 1889 to 1912, inclusive, cannot be accurately ascertained. We have endeavored in every way to get the data, but owing to the great amount of operating done by individuals, of which there is no record, nothing more accurate than a guess or estimate could be made. It runs into the millions, of course.

By far the greater portion of the money received for the sale of oil and gas during the period mentioned was re-invested in the business in West Virginia and paid out for labor, drilling, laying pipe lines and other items incident to the business.

Many claim that more has been invested than has been taken out. The profit as a whole must come from the future. It has not been made as yet.

**Q—HOW LONG IS IT ESTIMATED THAT OIL AND GAS WILL LAST IN WEST VIRGINIA AT THE PRESENT RATE OF CONSUMPTION?**

A—There is a wide difference of opinion on this point. Even experts do not agree. The length of time during which the present rate of consumption can be maintained depends very largely upon the results of future drilling, the extension of present territory and the discovery of new fields.

**Q—DON'T YOU THINK GAS SHOULD BE SOLD CHEAPER NEAR THE WELLS THAN AT A DISTANCE, ON ACCOUNT OF THE COST OF TRANSPORTATION?**

A—Yes. Gas should be sold at a lower rate close to the point of production than at points more distant. Such has always been our practice. Our rates at points near the fields are now lower than those at distant points.

**Q—IS IT TRUE THAT GAS IS SOLD CHEAPER BY YOU IN SOME PLACES IN OHIO AND PENNSYLVANIA THAN IN SOME PLACES IN WEST VIRGINIA?**

A—Yes. Gas is sold cheaper in some places in Ohio (but not in Pennsylvania) than it is in some places in West Virginia owing to the fact that these Ohio points are closer to the source of production than these West Virginia points. Where the distances from the fields are equal the rates are equal, regardless of state lines.

**Q—ARE YOU PRODUCING GAS IN OTHER STATES THAN WEST VIRGINIA?**

A—Yes. We have more wells and produce more gas in other states than in West Virginia. But adding the gas we buy to the gas we produce in West Virginia our supply from there is about the same as from other states.

**Q—IS IT TRUE THAT AIR IS PUMPED INTO THE GAS LINES, THUS REDUCING THE QUALITY OF THE GAS?**

A—It is not true that air is pumped into gas lines and mixed with gas; it cannot be done. It is just as impossible as mixing oil and water. This is a suspicion that can be scientifically demonstrated as baseless.

**Q—DO YOU NOT THINK WEST VIRGINIA OUGHT TO COMPEL GAS TO BE SOLD CHEAPER TO MANUFACTURERS WITHIN THE STATE THAN WITHOUT, IN ORDER TO INDUCE FACTORIES TO LOCATE INSIDE THE STATE?**

A—No. Cheap fuel alone will not bring industrial plants into West Virginia. Fuel is only one of the elements in manufacturing. It is manifestly unfair for a state to insist that one who has his capital invested in any business, should be compelled to sell the product of that business cheaper within the state than without under like conditions, which means taking into consideration the cost of transportation and amount of investment necessary; this applies to gas, to coal, to timber, to agricultural products, to manufactured products, or anything produced in the state.

If the state, in justice and fairness, can say to the gas company: "You must sell your gas cheaper to the factory in the state of West Virginia because you produce your gas in West Virginia," then it can say also to the owner of the factory, "You must sell what you make in the state of West Virginia cheaper to the people of West Virginia than to anybody else, because you get cheaper gas in the state of West Virginia, which the state has secured for you."

**Q—IF YOUR COMPANY STOOD IN THE PLACE OF THE STATE OF WEST VIRGINIA, WOULD YOU NOT BE VIGOROUSLY ENGAGED IN WORKING OUT SOME METHOD OF CON-**

**SERVING THE RESOURCES WHICH ARE NOW BEING FAST DEPLETED WITHOUT SUBSTANTIAL BENEFIT TO THE STATE?**

A—As already has been shown (which the question manifestly disregards) the state has received and is receiving enormously substantial benefits and returns, possibly greater than the oil and gas people.

West Virginia not only has the unrestricted use of this most convenient fuel and light product at an average rate considerably lower than her neighbors, but in addition the lion's share of the money received from the sale of her gas in Ohio and Pennsylvania comes back to her through expenditure in the search for, production and purchase of more gas.

If the state wants to commit itself to the policy of restricting the production is it ready to pay the land owner his lease rentals while the gas is being held for the benefit of future generations?

If the state is not ready to commit itself to this policy by putting up the money for the benefit of all its people, what just right would it have to ask the gas company to tie up its money in the pursuit of this policy?

In either case wouldn't it be rather hard on the landowner, who might be up against it financially because he couldn't lease his land or derive any money from that source now, even though it might benefit his posterity?

Of course, all waste should be stopped. Economy in use is a cardinal point of conservation.

**Q—WHAT PART HAS THE MANUFACTURERS LIGHT & HEAT COMPANY, ITS OFFICERS AND AGENTS, TAKEN IN MAINTAINING LOBBIES IN CHARLESTON TO PREVENT THE LEGISLATURE FROM PLACING A TAX UPON THE PRODUCTION AND TRANSPORTATION OF OIL AND GAS?**

A—The Manufacturers Light & Heat Company has never maintained any lobbies in Charleston for the purpose of preventing the legislature from placing tax on production or transportation of oil and gas or for any other purpose, and has never spent a penny for any such purpose.

Gumshoe methods do not appeal to us. When any public matter affecting the interests of this company is impending we will bring it out for open discussion with the people, as the sovereigns of the state, through advertisements in the newspapers, like we are doing now. We believe this to be both efficient and honorable.

We would here point out to those over-wise critics who condemn us because we have gone to the people in this open, public way, their absurd inconsistency when they say to us: "Why do you publish these Open Letters and take your case to the people?" and then in the same breath accuse us of having a lobby in our interests to influence the legislature at Charleston. In other words, is it fair or square to deny us the right to present our case anywhere, either to the public or to the legislature, either publicly or privately?

**Q—WHAT IS YOUR PURPOSE IN DISCUSSING THE GAS BUSINESS WITH THE PUBLIC?**

A—(Taken from a letter written by Mr. John E. Gill, president of the company, to a West Virginia State Senator.) "We want all the people of the state to get interested in the gas business and learn as much as they can about it from any source which is reliable. Only an informed public is capable of taking care of its own best interests in public matters, and we feel that our case is so clear and fair that it can be frankly entrusted to such a public for solution. Thus you see our motive is a combined one—for the good of the state and for our own good as well, because we believe that what is best for the people is also best for us, and vice versa."

**Q—IS NOT YOUR PRESENT EXTRAVAGANT ADVERTISING IN THE NEWSPAPERS THROUGHOUT THE ENTIRE STATE MERELY AN EFFORT TO SUBSIDIZE THE PRESS?**

A—We are using and paying for advertising space in the newspapers of West Virginia because this is the best way to state our views to all the people of the state. We are able thus to talk over our affairs with the entire population which we could do in no other way. By United States mail the cheapest it could be done would be many times as expensive, even if the address of every person in the state could be obtained, which it can't. Surely our way of doing it is far from extravagant.

As for "subsidizing the press," that is a cry as old as journalism and used only by persons whose idea of a free press is one which prints only their side of the story or mentions the other side only in abuse. Since we commenced this advertising we have noted that the newspapers have opened their columns freely to a discussion of all sides of the question. West Virginia newspapers accepting and printing our advertisements reserve the right to make such editorial comment upon them as they see fit. We have asked nothing more than this and no newspaper has offered more.

But this is a question we think the newspapers themselves can answer better than we. Ask them if they sell themselves when they sell advertising space to an advertiser.

Respectfully yours,  
The Manufacturers Light & Heat Company,  
March 14, 1914. Pittsburgh, Pa.

Should we have overlooked any question that is important, kindly advise us and we will give you our answer either by letter or in a future newspaper advertisement.